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Second country cooperation framework for El Salvador (2002-2006)

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Introduction

1. This country cooperation framework for El Salvador covers the period 2002-2006. In September 2000, the Executive Board approved the extension of the 1997-1999 programme until December 2001, in order to harmonize the programme with those of the other agencies of the United Nations system in the country as of 2002.

2. The country cooperation framework is formulated at a time when the country is undergoing a process of reconstruction after the conflicts and the earthquakes of January and February 2001. The framework must respond to the dual challenge of reconstruction and risk management and, at the same time, continue supporting national initiatives aimed at consolidating democracy and reducing poverty.

3. In accordance with the millennium development goals, this country cooperation framework will support three principal areas: poverty reduction, environmental protection and democratic governance.

I. Development situation from a sustainable human development perspective

4. During the 1990s, the country progressed in crucial human development areas. Significant improvement was seen in the three basic components of human development (level of education, income, and life expectancy), which placed El Salvador in the category of countries with intermediate human development on a global scale, according to the UNDP Human Development Report. As indicated by the most recent human development report (IDHES) for El Salvador, the improvements occurred in all 14 departments and, were most marked in several of the most backward ones. Over the same period, poverty, measured in terms of the percentage of the population whose income is below the cost of the basic food basket, declined from 65.7 per cent in 1991 to 47.5 per cent in 1999.

5. The earthquakes of January and February 2001 demonstrated the extent of the population's vulnerability and the fragility of the "virtuous circle of democracy-growth-human development", which had finally been established following the political, economic and social reforms of the 1990s. According to the report prepared by ECLAC, immediately after the disasters to assess their socio-economic impact, the damage and losses caused by the two earthquakes came to 1,660 million dollars, equal to 13 per cent of GDP in 2000.

6. The IDHES included a simulation study to determine the effects of the earthquakes on the country's human development indices. The simulation shows that the human development index (HDI) has declined from 0.704 to 0.691; this decrease represents a setback of approximately three years in the level of the country's overall human development. In the most affected departments, such as San Vicente, La Paz and Usulatán, the setback was more than 10 years. This study also underscored the persistence of gender inequalities: women enter the least well-paid production sectors and have the highest under-employment rate; men's income exceeds that of women by a ratio of 1.125:1. The earthquakes also affected women in the economic sphere, since there are more women than men (65 per cent in 2000) in the parallel or informal and micro-enterprise sector, which was one of the most affected.

Poverty reduction

7. The execution of social programs and projects has had positive effects on human development over the last decade for, during that time, the population living in poverty decreased by more than 25 per cent. Despite this progress, poverty still affects 47.5 per cent of the population; of this total, 27.4 per cent live in relative poverty and 20.1 per cent in extreme poverty. According to IDHES, 225,684 who were not poor before, now live in poverty as a result of the earthquakes.

8. The country continues to further its development process and to confront the challenges this poses in a context of increasingly rapid regional change and globalization. At the same time, when responding to internal needs for reconstruction and change in order to reduce poverty, it must face the challenge of incorporating a risk management approach into its development policies, programmes and projects so as to minimize the high levels of vulnerability to which the population is permanently exposed. This approach evidently requires generating, in local social actors and institutions, capacity to select and implement planned and coordinated initiatives to prevent, manage and reduce risks when disasters occur.

9. During the 1990s, economic policies were designed to control inflation, liberalize trade and the financial system and modernize the State; they resulted in an average annual growth rate of 4.5 per cent. Total exports tripled, due principally to the considerable increase in *maquila* (the in-bond assembly industry) exports. As a result of the increased flow of remittances from relatives abroad (from 322 million dollars in 1990 to 1,750 million dollars in 2000), the trade gap generated by the growth in imports did not cause significant problems. As of 1996, economic growth slowed and this situation persists today. Whereas the economy grew at an annual average rate of 6.1 per cent between 1991 and 1995, it is now down to less than 3 per cent. Economic growth has been uneven over the last decade; the highest growth rates have been recorded in the *maquila* and the financial sector (10 per cent), while the agricultural sector, which absorbs 65 per cent of the economically active rural population, had average growth rates of only 1.2 per cent.

10. The agricultural sector is experiencing a period of profound changes; it must adapt to international markets where there are increasing degrees of competition and it must continue to provide food and employment to most of the rural population, even though, it cannot, by itself, absorb the demand for rural employment. Consequently, the current challenges for the rural areas are to improve the income level of the population by creating employment opportunities in non-agricultural sectors, and to develop the capacity to design and apply social policies, to increase the resources assigned to basic services and to promote the reactivation of the agricultural sector.

11. Over the last decade economic measures were complemented by social reforms and these have improved the social indicators. Social sector expenditure increased from 24.5 per cent in 1994 to 36.2 per cent in 1999. Thanks to the increase in public investment, complemented by international cooperation resources, social reforms were undertaken in the area of education (EDUCO), health (integral basic health systems) and housing, and a process of financial decentralization has been initiated with the creation of the Economic and Social Development Fund (FODES), through which six per cent of the national budget is transferred to the municipalities.

12. Family income, particularly in rural areas, is extremely precarious and the poverty situation of many families varies from one year to the next, depending on favourable or unfavourable changes in the environment. This situation is exacerbated by the frequency of disasters and the high degree of vulnerability, which make risk management a central element of national poverty-reduction policies and strategies.

Governance

13. The signing of the Peace Agreement established the political and institutional conditions for consolidating various fundamental elements of the national democratic process, such as reforms of the armed forces, the creation of institutions for the protection of human rights, judicial reforms, the creation of a national civil police force and proposals for the reform of the electoral system. However, there are still obstacles in the way of achieving institutions that operate effectively and have credibility and the population's confidence. Some important democratic reforms, such as the modernization of the electoral system, have been paralysed owing to multiple obstacles. Others, such as the human rights protection system, have suffered delays in their institutionalization due to delays in agreements to designate their directors. The recent appointment of the new National Counsel is an important step towards strengthening one of the key institutions created by the Peace Agreement.

14. After the conflict ended, several serious problems increased significantly. The high levels of violence and civil insecurity stem from an interaction between economic and social factors and the weakness and shortcomings of the criminal justice system. According to IDHES, one of the greatest challenges for human development is to establish sound institutions that reward creativity, productivity, efficiency, accountability, justice, transparency and solidarity.

Environment

15. The vicious circle of rural poverty stems in part from the severe environmental crisis that the country is experiencing as a result of the growing pressure on natural resources. El Salvador has high rates of deforestation, soil erosion, degradation and contamination of water sources, deterioration of coastal and maritime resources, and also major problems concerning biological diversity. The sustainability of development policies will be directly linked to counteracting environmental deterioration by strengthening the institutional and legal framework for environment management, environmental education programmes and providing economic incentives that encourage the correct use and conservation of natural resources.

16. The population dynamics are a result of territorial imbalances, among other factors, which cause large internal migrations and concentration in urban areas. For example, according to the 1992 census, 30 per cent of the population was concentrated in the metropolitan area of San Salvador, which occupies three per cent of national territory.

17. In recent years, the territorial imbalances and the need to encourage local development have begun to form an important part of the national agenda. The transformation of the Social Investment Fund into the entity in charge of local

development and the adoption of the reform to the FODES Act are important measures taken by the central Government in this respect. However, the problem remains of how to make local development generate social, economic and environmental opportunities throughout the country. To do this, it is necessary to formulate public policies that encourage decentralization and strengthen the local institutional framework and social capital.

18. Consequently, the major national goals are to strengthen democracy, reduce poverty and alleviate the many vulnerabilities by which the latter is expressed. Attaining these goals will require actions in at least two priority areas: strengthening of the rule of law and reduction in the levels of social, economic and environmental insecurity, from a perspective of risk management with gender equity.

II. Results and lessons of past cooperation

19. The strategic areas of action of the first country cooperation framework (1997-1999) and its subsequent extension were poverty reduction, consolidation of democratic governance and protection of the environment and natural resources.

Poverty reduction

20. UNDP supported the formulation of national poverty-reduction policies and programmes, improvement of instruments for monitoring and assessing their results, and the follow-up of specific initiatives, such as the 20/20 Initiative, adopted at the World Summit for Social Development (Copenhagen, 1995). UNDP supported the preparation of various studies and analyses that facilitated the dialogue on poverty-reduction strategies. From 1998 to 2001, together with the National Council for Sustainable Development and with the participation of several governmental and non-governmental institutions, it supported the elaboration of national human development reports, the most recent of which, corresponding to 2001, included a chapter on the impact of the earthquakes on the poverty indicators.

21. By cooperating with the Social Investment Fund for Local Development, UNDP has continued to support Government measures relating to local development. It has also supported municipal and community development processes for formulating participatory development plans, as well as partnership processes at the municipal level, in accordance with the Programme for Sustainable Human Development (Capacity 21 and Nation 21).

22. In the area of gender and poverty, the United Nations Inter-agency Gender Group, consisting of the agency coordinators for gender issues, formulated a programme to empower young girls and expand their opportunities for action in order to help provide comprehensive answers to their problems and needs, particularly in marginal urban and rural areas. In compliance with the Beijing Platform for Action and the Cairo Action Plan, the situation of young girls will be tackled in a comprehensive manner, using a multisectoral and multidisciplinary approach, with coordination among the United Nations agencies and the participation of governmental and non-governmental organizations. The programme has received a financial contribution of 2,180,000 dollars from the Turner Fund and will begin activities in 2002.

23. In addition to inter-agency collaboration on gender issues, UNDP is taking part in the Thematic Group of the Joint United Nations Programme on HIV/AIDS (UNAIDS) and in the disaster management team, composed of representatives of agencies of the United Nations system.

Democratic governance

24. UNDP continues to support the consolidation of the democratic institutional framework created by the Peace Agreement. In this respect, the Office of the National Counsel for the Defence of Human Rights and civil society organizations were strengthened; support was provided to develop curricula and train judges, and assistance was provided to the 1997 and 1999 electoral processes. Support was also given to the Supreme Electoral Tribunal and to civil society organizations in order to ensure greater civic participation in the electoral processes, and a project was started to support the National Registry of Natural Persons in order to streamline the citizen registration and identification systems.

25. During that period, the Violence in a Society in Transition programme was formulated, with broad participation by different governmental and non-governmental organizations; its aim is to enhance national capacity to conceptualize the phenomenon of violence, to formulate public policies and to support projects involving specific priority aspects such as arms control and training of human resources in the prevention and treatment of domestic violence.

Protection of the environment and natural resources

26. With regard to natural resources, UNDP has continued supporting institution-building at the Ministry of Environment and Natural Resources. This has provided the Ministry with qualified personnel for the formulation of projects leading to the mobilization of resources for this sector. Assistance has also been provided for the formulation of the national strategy on biodiversity and the first communication on climate change, and a unit responsible for climate change issues has been set up within the Ministry. El Salvador has ratified the international conventions on biological diversity, climate change and desertification. UNDP has also provided assistance for the execution of the El Salvador Environmental Programme (PAES) and the Agriculture Sector Reform and Investment Programme (PRISA), financed with resources from the World Bank and the Inter-American Development Bank. This year, with the support of UNDP/GEF, the Ministry and several non-governmental organizations have requested the GEF Small Grants Programme to support a project to finance community and non-governmental organization initiatives for sustainable development that will begin in 2002.

27. At the regional level, UNDP has continued to support initiatives of the Commission for Environment and Development (CAD) of the Central American Integration System related to forests, biological diversity, environmental legislation and institution-building. The Meso-American Biological Corridor project is currently under way and projects are being prepared for the Trifinio area and the Central American Environment and Development Fund (FOCADES).

28. As a result of hurricane Mitch in 1998 and the earthquakes in 2001, the programme had to mobilize human and financial resources from bilateral donors and

the Office for the Coordination of Humanitarian Affairs (OCHA) to take care of humanitarian assistance needs and also for reconstruction. As part of the preparations for the meeting in Stockholm of the advisory group convened as a result of hurricane Mitch, UNDP facilitated the preparation of the National Reconstruction Plan, through technical meetings, with broad participation and the consensus of governmental, non-governmental and community organizations.

29. According to information from the Ministry of Foreign Affairs, from 1997 to June 2000, external aid to El Salvador totalled 1,435,670,000 dollars, compared to the quinquennium 1992-1996, when the amount was 1,979.6 million dollars. Reimbursable and non-reimbursable resources channelled through multilateral sources amounted to 785,810,000 dollars, while reimbursable and non-reimbursable bilateral cooperation contributed 649,860,000 dollars. The priority areas for international cooperation were education, health, agriculture and democratic institution-building.

30. Over the same period, UNDP allocated a total of 6,044,610 dollars of its own funds (TRAC 1.1.1, 1.1.2 and 1.1.3), including resources from TRAC 1.1.3 allocated to emergency assistance following hurricane Mitch in 1998 and the earthquakes of January and February 2001. The TRAC 1.1.3 resources approved for that period amounted to 543,449 dollars.

31. During the previous programme, by mobilizing funds, UNDP facilitated the execution of programmes and projects financed with third-party resources (Government, international financial institutions and bilateral donors) for a total of 136,674,063 dollars. Of this amount, 119,242,685 dollars came from the World Bank and Inter-American Development Bank; 12,823,198 dollars from the Government, and 4,608,180 dollars from bilateral donors, including Denmark, the Netherlands, Norway, Spain, Sweden, and the United States. The programme also obtained resources from special funds and programmes, including the Global Environment Facility (GEF), the United Nations Development Fund for Women (UNIFEM), the Joint United Nations Programme on HIV/AIDS (UNAIDS) and others (such as special service agreements and trust funds), for a total of 29,511,807 dollars. Of all the resources administered by UNDP, eight per cent were devoted to democratic governance, 12 per cent to the environment and 80 per cent to poverty-reduction projects.

32. The principal lessons learned during the previous cooperation cycle indicate that UNDP played an important role by facilitating opportunities for dialogue on public policies between the various social actors. Additionally, support for projects financed with third-party resources leads to greater transparency and effectiveness in execution. Although, according to one point of view, local development and decentralization require greater support from the central Government, UNDP initiatives such as coordination of donors through the Donor Network for Local Development (RECODEL) and technical assistance to the Social Investment Fund for Local Development and local institutions, such as the municipalities, has improved coordination and institutional capacity for civic participation in development processes at the local level.

33. One of the initiatives promoted by UNDP, which has had a significant impact, has been the elaboration of the human development report for El Salvador. Since it systematizes a large amount of data and information on human development, it provides an excellent basis for improving the capacity of the authorities to formulate

and apply public policies and enhancing the population's participation in the process. It is hoped that it will also contribute to creating an opportunity for dialogue among the various public and private institutions concerned in the country's development. An important innovation in the report for 2001 was the calculation, for the first time at the national and departmental level and for urban and rural areas, of the gender-related development index (GDI), the gender empowerment measure (GEM) and the human poverty index (HPI). The report is undoubtedly a significant instrument for boosting sustainable human development, and the selection of the issues it covers is constantly being improved.

34. Despite the Peace Agreement's important contribution to the country's democratization process, there are still obstacles to the consolidation of democratic governance in El Salvador. There is a high degree of civil insecurity due to a variety of complex reasons of an economic and social nature and also due to shortcomings in the judicial system and the incapacity of the institutions to investigate and prevent crime. Since the human rights protection system is still very fragile and subject to political instability, the effects of UNDP activities in the area of human rights were limited by institutional instability. The purpose of the Violence in a Society in Transition programme is to tackle such problems.

35. The first UNDP country cooperation framework for El Salvador was in line with the national priorities at the time. In order to continue this correspondence between national priorities and the contribution made by international cooperation, the new priorities must be expressed in clear public policies that provide guidance for cooperation.

III. Proposed strategy and thematic areas

36. The Government that took office in June 1999 proposed a national development strategy entitled "The New Alliance", which was presented as the Government's poverty-reduction programme, and which emphasized the importance of rural development and the micro and small enterprise sector in reducing poverty and generating employment. The four general goals of the New Alliance are: (a) greater employment opportunities at the local level; (b) improved rates of coverage and quality of basic services; (c) institutionalization of opportunities for participation at the local levels, and (d) better conditions for the development of individuals and families within a framework of security and environmental protection. The conditions for putting this strategy into practice are directly linked to consolidation of macro-economic stability, strengthening of the public safety system, and a development process that respects the environment and is conducive to gender equity.

37. In conformity with the national priorities established by the Government, the millennium development goals and the UNDP mandate, support will be provided for national initiatives to combat poverty, reduce vulnerability and manage risk. Work will be carried out in three priority thematic areas: poverty reduction, democratic governance and the environment. Bearing in mind the recurrent risks to which the population is exposed — owing to high rates of violence, natural disasters, weakening of democratic institutions and social and environmental vulnerability — UNDP cooperation will comprise the following programme sub-areas: (a) prevention of violence; (b) strengthening the rule of law; (c) sustainable

development and environment, and (d) local development and enhancing rural opportunities. In an effort to respond to the high levels of vulnerability in the chosen areas, risk management will be incorporated transversally in all programmes and projects.

Poverty reduction

38. The programme's actions will focus on local development and strengthening rural opportunities, in order to help reduce poverty, principally in rural areas, by strengthening the local economic network, creating functional institutions, generating employment, providing access to information, promoting debate on local economic perspectives and full participation of social actors in rural and local development. There will be continued support for decentralization measures and partnership modalities in municipal management and for the establishment of networks and other forms of private sector participation at the local level.

Democratic governance

39. With regard to democratic governance, the goal is to continue executing the projects that are under way in the context of the Violence in a Society in Transition programme. Ongoing projects will also be evaluated and new projects formulated for the subsequent phase, applying the participatory methodology used to prepare the programme.

40. As a fundamental part of the work on this issue, there will be continued support for strengthening the rule of law, for the Office of the National Counsel for the Defence of Human Rights and non-governmental organizations working in that field and also for strengthening the judicial system and the electoral institutions.

Sustainable development and the environment

41. In this area, UNDP cooperation will include formulation and implementation of integrated projects for the sustainable management of the environment and natural resources from a perspective of risk management and reduction of vulnerability. It will also facilitate the follow-up, application and integration into national legislation of international conventions and commitments on environmental issues, and strengthen the mechanisms for the coordination and participation of different sectors in the preparation of projects at the local level.

42. The following strategies will be used in the execution of the cooperation programme: (a) strengthening social capital through partnerships and the participation of those directly interested; (b) strengthening of the human rights institutional framework; (c) provision of advice and information on sustainable human development, and (d) mobilization and management of resources for projects in the areas of action that have been defined.

43. UNDP will establish a centre to provide information and generate knowledge on human development so as to encourage debate and innovation on issues such as local development, violence and risk management. In addition, human development

programmes will include strategies to strengthen the institutional framework so as to promote sustainability of the initiatives.

44. The programme will continue to incorporate the gender perspective into all aspects of projects and programmes, and also into the initiatives promoted by UNDP. As part of the work of facilitating opportunities for exchanges with civil society actors, support for the joint minimum agenda of the women's movement will be continued. At the governmental level, technical assistance to the Ministry of Education for the incorporation of gender issues into the school curriculum will continue.

45. UNDP will continue to support strengthening the capacity of the State and civil society to make proposals and adopt measures that promote sustainable human development as a basic element of the fight against poverty. It will continue to support the preparation of the national human development reports, which have proved to be a significant instrument for promoting dialogue among the different national sectors. There will also be continued support for the elaboration of studies on and analyses of different aspects of human development and the organization of discussion forums to increase understanding of this issue.

46. UNDP coordinates the United Nations teams in the country for the preparation of reports on the millennium development goals. It will continue collaborating in the preparation of the national human development report and other international and national studies that generate the information needed to evaluate progress towards the goals established at the Copenhagen Summit and the Millennium Summit.

IV. Management arrangements

47. The national execution modality will continue to be given priority in programme and project implementation; during the previous cycle this resulted in effective use of financial resources, an improvement in the national institutional capacity and training of human resources in counterpart institutions. The capacity of non-governmental organizations at the national, local and departmental level to formulate proposals and execute technical assistance projects will also continue to be strengthened.

48. During recent years, the UNDP office in El Salvador has acquired capacity for direct execution of projects in special circumstances. This modality will continue to be used in specific cases, when authorized by UNDP headquarters, because it has proved to be a useful and flexible instrument in emergency situations.

49. The United Nations Volunteers programme will take part in the execution of the programme. During the last cycle, it played an important role in executing project and mobilizing technical and financial resources. Also, in the context of reform of the United Nations system, activities for the preparation of the Common Country Assessment will continue to be coordinated with the other agencies and programmes of the United Nations system. During the coming cycle, work will be carried out jointly within the United Nations Development Assistance Framework (UNDAF) to harmonize, coordinate and maximize the effects of the activities of the United Nations agencies in the country.

50. Execution of the programme will be monitored, supervised and evaluated a three levels: country cooperation framework, programme areas and programmes an projects, using existing instruments.

51. There will be a mid-term review of the country cooperation framework, to b carried out jointly by the Government and UNDP. The programme areas will be th topic of annual meetings between sectoral agencies and UNDP. There will also b thematic meetings of donors, Government and non-governmental organizations.

52. Programmes and projects will be monitored and evaluated in accordance wit the pertinent regulations established by UNDP and as stipulated by donors, b annual impact-assessment meetings and external evaluations. The basic informatio required to assess the results and impact of the programme will be compiled an agreed by the parties, together with the specific results of programmes and projects.

Annex

Resource mobilization targets for El Salvador (2002-2006)

Source	Amount (In thousands of United States dollars)	Comments
UNDP core funds		
Estimated carry-over	307	Carry over from TRAC 1.1.1 and 1.1.2.
TRAC 1.1.1	1 005	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	261	
SPPD/STS	80	
Subtotal	**1 653**[a]	
UNDP non-core funds		
Government cost-sharing	82 419	
Third-party cost-sharing	12 048	
Funds, trust funds and other sources	2 569	
	comprising:	
Thematic Trust Funds	185	
Peacekeeping	403	
AIDS Trust Fund	361	
BCPR Trust Fund	711	
Other trust funds	448	
GEF	461	
Subtotal	**97 036**	
Total	**98 689**[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: BCPR = Bureau for Crisis Prevention and Recovery; GEF = Global Environment Facility; SPPD = Support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.